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FM AMEMBASSY RANGOON  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9064  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHBK/AMEMBASSY BANGKOK 2926  
RUEHBJ/AMEMBASSY BEIJING 2289  
RUEHBY/AMEMBASSY CANBERRA 2018  
RUEHKA/AMEMBASSY DHAKA 5211  
RUEHLO/AMEMBASSY LONDON 2134  
RUEHNE/AMEMBASSY NEW DELHI 5493  
RUEHUL/AMEMBASSY SEOUL 9089  
RUEHTC/AMEMBASSY THE HAGUE 0765  
RUEHKO/AMEMBASSY TOKYO 6665  
RUEHCN/AMCONSUL CHENGDU 1801  
RUEHCHI/AMCONSUL CHIANG MAI 2179  
RUEHCI/AMCONSUL KOLKATA 0649  
RHHMUNA/CDR USPACOM HONOLULU HI  
RUEKJCS/JOINT STAFF WASHDC  
RUCNDT/USMISSION USUN NEW YORK 2469  
RUEHGV/USMISSION GENEVA 4476  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEKJCS/DIA WASHDC  
RUEAIIA/CIA WASHDC  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC

C O N F I D E N T I A L SECTION 01 OF 04 RANGOON 000333

SIPDIS

STATE FOR EAP/MLS, INR/EAP, EEB/TFS, INR/EAP, OES  
BANGKOK FOR REO OFFICE  
PACOM FOR FPA  
TREASURY FOR OASIA, OFAC

E.O. 12958: DECL: 06/05/2019  
TAGS: [ECON](#) [SENV](#) [PREL](#) [PGOV](#) [ETRD](#) [PINR](#) [BM](#)  
SUBJECT: BURMA: GEM AND JADE EXPORTS INCREASE IN 2008;  
DECLINES EXPECTED IN 2009

REF: A. 08 RANGOON 060  
[1](#)B. 08 RANGOON 061  
[1](#)C. 08 RANGOON 750  
[1](#)D. CHIANG MAI 70

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4  
(b and d).

Summary

[1](#)1. (C) The total value of Burmese jade and gem exports in 2008 increased by 30 percent over the previous year, with jade sales accounting for 98 percent of the total. Trade analysts predict 2009 exports will drop due to the continuing world economic crisis and declining demand. In 2008 the majority of Burma's high-quality jade and gems were sold at state-run auctions, although gem dealers hint that persons connected to the regime smuggle out the best stones. Additionally, many medium and lower quality stones are sent to China and Thailand through illegal border trade or are sold in local markets. State-owned Myanmar Gems Enterprise accounted for 95 percent of 2008 jade and gem exports, funneling profits directly into regime coffers. End Summary.

Regime Controls Jade and Gems

[1](#)2. (C) The regime strictly controls Burma's jade and gem sector. State-owned enterprises including Myanmar Economic Holdings Ltd. (MEHL) and Myanmar Gems Enterprise control the

production of Burma's gem and jade mines and the sale of any extracted products. According to Burmese Law, private Burmese companies interested in the extraction of jade or gems must form joint ventures with MEHL to receive mining permits from the Ministry of Mines. Foreign companies are not allowed to mine gems or jade in Burma. According to Nay Min Han, General Manager of MK Gems (a leading private gem dealer), joint venture agreements require private companies to sell high-quality gemstones through MEHL at the government's annual emporiums. However, MEHL permits firms to sell and export lower-quality stones through private sales. In comparison, GOB regulations mandate that all jade mined in Burma must be sold at MEHL auctions.

Going Once, Going Twice...

13. (C) MEHL holds jade and gem emporiums four or five times a year, depending on available stocks. The GOB identifies and invites local and foreign companies and individuals to participate in the week-long emporiums. Prices are set in euros, and companies must pay a registration fee of 10,000 euros in order to bid on available lots through silent auction (Refs A and B). In 2008 MEHL held four auctions, in March, July, October, and December. According to Zaw Win Naing, General Manager of privately-owned Kambawza Bank (which owns several jade and gem mines), the majority of companies participating in the 2008 emporiums were from China, Hong Kong, and Thailand. While the GOB did not release official sales figures from these emporiums, Zaw Win Naing estimated that the regime earned more than USD 700 million.

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High Demand in 2008

14. (C) According to Burmese private consulting firm Business Investment Group (BIG), 2008 was a record year for Burmese exports of jade and gemstones. Burmese state-owned enterprises and private companies officially exported over USD 731 million in jade and gems, a 30 percent increase over 2007 levels. Jade sales accounted for 98 percent of exports, with the 33.6 increase in jade exports in 2008 offsetting the 46.1 decline in gemstones (see chart below). Myanmar Gems Enterprise, a company under the jurisdiction of MEHL, exported approximately 95 percent of Burma's jade and gems in 2008, worth approximately USD 694 million. Other state-owned enterprises, including Myanmar Ruby Enterprise, Myanmar Pearl Enterprise, and Myanmar Jade Enterprise, as well as several private companies, accounted for the rest of 2008 exports.

Burma's Jade and Gem Exports 2005-2009* In Millions US Dollars					
Product	2005	2006	2007	2008	2009*
Gems	28.8	30.3	26.5	14.3	4.2
Jade	167.8	375.8	535.1	714.8	191.1
Total	196.6	406.1	561.6	731.9	195.3

Source: Business Investment Group, May 2009

\*Through March 2009

15. (C) While the GOB does not include border trade figures (illegal or legal) in its official statistics, BIG trade analysts estimate that in 2008 approximately USD 15 million worth of gems were smuggled out of Burma, either to China or Thailand. Nay Min Han estimated that the value could be even higher, and intimated that as more military officials (and their spouses) and regime cronies become involved in gem

mining and trade, smuggling of high-quality stones will increase. (Note: this corroborates what a Burmese gem dealer told the GAO team in Chiang Mai in May -- Ref D.) Zaw Win Naing told us that jade is not sold via border trade, as jade pieces, unlike rough gems, are often too large and conspicuous to smuggle across the border.

16. (C) According to BIG, a substantial majority of Burma's jade and gem exports go to Asia. In 2008 Japan and Thailand imported approximately two-thirds of Burma's gemstones. BIG trade analysts stated that, unlike in previous years, there is no official record of official sales of gems to China or the United States. They indicated that gems may have been exported to China via unofficial border trade. According to Nay Min Han, the substantial drop in gem exports was due to decreasing demand for Burmese stones worldwide. He opined that while the price of gems has increased during the past few years, the quality of Burmese gems has decreased, accounting for lower demand.

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Destination of Burmese Gem Exports 2006-2008  
In Millions US Dollars

Destination	2006	2007	2008
Japan	8,728,056	11,401,587	7,643,496
Thailand	13,769,775	8,595,049	3,734,373
Hong Kong	3,697,046	3,903,062	2,633,385
Australia	899,712	363,841	262,385
Singapore	58,116	77,547	39,222
Indonesia	35,864	208,689	27,842
Russia	152	13,494	20,041
Canada	98,828	--	30
China	7,680	1,024,522	--
USA	2,640,120	353,233	--
Germany	227,446	125,195	--
India	57,224	37,298	--
Other	84,033	427,843	--
Total	28,815,465	26,531,323	14,360,458

Source: Business Investment Group, May 2009

17. (C) The regime earns the most revenue from jade; more than 95 percent is exported to Hong Kong and China each year.

Hong Kong imports of Burmese jade increased by 31.6 percent while China's imports of Burmese jade increased by 32.2 percent in 2008. The Myanmar Gems Enterprise also exported jade to Thailand, Singapore, and Malaysia, as demand in these three countries increased substantially in recent years.

Destination of Burmese Jade Imports, 2006-2008  
In Millions of US Dollars

Destination	2006	2007	2008
Hong Kong	371,329,791	523,089,437	688,215,116
China	1,974,866	8,823,738	11,663,157
Thailand	184,763	381,256	6,295,212
UK	363	--	4,418,215
Singapore	818,399	2,776,237	2,232,064
Malaysia	4,607	--	1,669,541
Japan	142,792	20,337	303,483
South Korea	4,696	9,384	--
UAE	1,314,729	--	--
Other	49,988	5,824	931,651
Total	375,824,631	535,106,427	715,728,439

Source: Business Investment Group, May 2009

Sales Expected to Drop in 2009  
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18. (C) BIG trade analysts predict that after record jade sales in 2008, total jade and gem exports in 2009 may fall due to lower worldwide demand and the continuing effects of the world financial crisis. Nay Min Han told us that the number of participants in the March 2009 auction was the same as last year, but the regime earned approximately 10 percent

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less than in March 2008. He estimated March 2009 sales totaled approximately USD 200 million. MEHL will host the next auction from June 22-July 9 in Rangoon. According to Nay Min Han, the regime expects to sell at least 3,500 lots of jade and 1,000 lots of rough gems. Nay Min Han and other gem dealers expressed their doubts the regime would hit these targets, based on the March 2009 emporium results.

DINGER